

EXHIBIT 8

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION
 BUDGETED CONSOLIDATED BALANCE SHEETS
 as of June 30, 1998 and 1997
 (Dollars in thousands)

	1998	1997		1998	1997
Current assets:			Current liabilities:		
Cash and short-term investments	\$15,170	\$13,766	Accounts payable and accrued expenses	\$394,562	\$380,887
Assets limited or restricted as to use	76,142	73,420	Deferred revenue	16,715	13,193
Receivables:			Lines of credit	63,000	63,256
Patient accounts, net	402,198	394,307	Current portion of long-term debt	37,801	33,019
Grants and other	61,204	45,162			
Inventories	30,409	31,524	Total current liabilities	512,078	490,355
Prepaid expenses	15,200	15,197			
Total current assets	600,323	572,876			
			Long-term debt	934,686	970,487
Assets limited or restricted as to use:			Self-insurance liabilities	90,524	80,872
Unrestricted	639,154	599,131	Student loans	18,950	18,944
Temporarily restricted	84,839	77,505	Other noncurrent liabilities	169,640	170,095
Permanently restricted	150,602	146,228			
Student loans	16,500	16,441	Total liabilities	1,725,878	1,730,753
	891,095	839,305			
			Net assets:		
			Unrestricted	598,556	560,014
			Restricted:		
			Temporarily	108,605	104,703
			Permanently	130,101	126,594
Property and equipment, net	735,010	786,595	Total net assets	835,262	791,311
Other assets	334,712	323,288			
Total assets	\$2,561,140	\$2,522,064	Total liabilities and net assets	\$2,561,140	\$2,522,064

EXHIBIT 8 -- Page 2

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION
BUDGETED CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended June 30, 1998 and 1997
(Dollars in thousands)

	FY 1998 Budget	FY 1997 Projection *	Increase/ (Decrease)
Unrestricted Revenues, Gains and Other Support:			
Net patient service	\$2,704,516	\$1,790,057	\$914,459
Research and training support	88,835	67,641	21,194
Academic activities	62,813	68,196	(5,383)
Investment income	33,730	86,438	(52,708)
Net assets released from restrictions used for operations	30,328	29,489	839
Other	83,822	70,928	12,894
Total revenues, gains and other support	3,004,044	2,112,749	891,296
Expenses:			
Salaries, wages and fringe benefits	1,364,444	1,179,402	(385,042)
Materials, supplies and services	1,217,116	734,558	(482,558)
Depreciation and amortization	120,977	109,511	(11,466)
Interest	66,935	46,778	(20,157)
Total expenses	2,969,472	2,090,249	(879,223)
Net income	\$34,572	\$22,500	\$12,072

*Effective dates for material AJERF acquisitions in FY 1997 are as follows:

Forbes Hospitals	January 1, 1997
Allegheny Valley Hospital	March 1, 1997
Penn Medical Group	April 1, 1997
Graduate Hospital	May 1, 1997
Mt Sinai Hospital	May 1, 1997
City Avenue Hospital	May 1, 1997
Parkview Hospital	May 1, 1997
Rancocas Hospital	May 1, 1997

EXHIBIT 8 -- Page 3

ALLIANCE FOR HEALTH, EDUCATION AND RESEARCH FOUNDATION
BUDGETED (CONSOLIDATING STATEMENT OF OPERATIONS)
For the year ended June 30, 1998
(Dollars in thousands)

	AGH	AUMC	AUII	SCIC	CENTRAL	NEW JERSEY	AURG	AUIIS	ASBL	ALTERP Operations	EMM	ALTERP CONSOL
Net patient service revenue:												
Acute care hospital	\$441,566	\$228,227	\$616,018	\$129,717	\$319,180	\$81,111	\$0	\$0	\$0	\$0	\$0	\$1,845,819
Psychiatric hospital	0	0	21,005	0	0	0	0	0	0	0	0	28,005
Physician services	0	1,042	7,227	0	0	0	600,480	204,903	0	0	0	810,692
	<u>441,566</u>	<u>229,269</u>	<u>644,250</u>	<u>129,717</u>	<u>319,180</u>	<u>81,111</u>	<u>600,480</u>	<u>204,903</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,704,516</u>
Other revenue:												
Research and training support	0	0	4,983	2,094	0	0	0	84,064	1,979	0	(4,287)	88,835
Academic activities	0	0	143	791	0	0	0	61,879	0	0	0	62,813
Investment income	14,197	7,490	769	846	2,192	0	50	1,316	0	11,260	(4,400)	33,740
Net assets released from restrictions used for operations	3,734	0	400	2,295	2,500	0	0	3,560	0	15,839	0	30,728
Other	16,282	5,460	19,620	3,812	13,788	3,341	7,380	130,954	0	44,812	(139,493)	83,822
	<u>22,218</u>	<u>12,950</u>	<u>25,915</u>	<u>9,838</u>	<u>18,480</u>	<u>3,341</u>	<u>7,430</u>	<u>283,823</u>	<u>1,979</u>	<u>71,212</u>	<u>(164,180)</u>	<u>299,278</u>
Total revenue, gains and other support	493,784	242,219	682,165	139,555	337,660	84,452	607,910	490,728	1,979	71,212	(164,180)	3,004,044
Expenses:												
Salaries, wages and fees	164,024	101,498	249,301	52,629	131,841	37,419	154,004	313,981	643	120,000	1,408	1,114,090
Fringe benefits	40,419	26,549	62,777	18,034	21,890	6,899	19,834	37,904	112	24,408	292	130,314
Patient care supplies	71,131	31,437	98,727	12,907	48,727	8,404	2,419	4,819	0	0	0	79,182
Purchased services	121,821	55,884	113,837	33,481	81,283	13,118	43,429	93,167	1,293	(129,918)	(131,643)	643,942
Administrative and general	34,315	16,418	67,294	13,729	18,973	6,416	13,910	62,646	88	31,869	(11,877)	277,672
Depreciation and amortization	31,319	(2,332)	31,944	2,118	11,903	3,831	9,660	19,363	32	16,168	45	120,977
Interest	13,533	8,338	24,634	3,624	13,835	3,632	260	3,348	0	0	(4,007)	64,915
	<u>482,841</u>	<u>220,024</u>	<u>670,178</u>	<u>132,377</u>	<u>331,974</u>	<u>79,872</u>	<u>641,379</u>	<u>490,728</u>	<u>2,232</u>	<u>61,211</u>	<u>(164,180)</u>	<u>2,969,473</u>
Total expenses												
	<u>482,841</u>	<u>220,024</u>	<u>670,178</u>	<u>132,377</u>	<u>331,974</u>	<u>79,872</u>	<u>641,379</u>	<u>490,728</u>	<u>2,232</u>	<u>61,211</u>	<u>(164,180)</u>	<u>2,969,473</u>
Net income (loss)	\$10,943	\$22,215	\$11,987	\$7,178	\$5,686	\$4,580	(33,469)	\$0	(2,253)	\$4,901	(32,850)	334,571
1993 Projection	\$12,000	\$19,600	\$10,000	\$8,500	\$8,000	\$1,000	(39,250)	(113,500)	(34,100)	\$2,800	(64,350)	\$21,500
Decrease/(Increase)	(81,057)	\$2,635	(818,013)	(51,322)	(32,314)	\$1,395	\$23,640	\$13,500	\$5,837	(516,799)	\$2,750	\$12,027

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ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION
BUDGETED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
For the years ended June 30, 1998 and 1997
(Dollars in thousands)

	FY 1998 Budget	FY 1997 Projection
Unrestricted net assets:		
Net income	\$34,572	\$22,500
Unrealized depreciation of investments	0	(22,732)
Net assets released from restrictions used for acquisition of property and equipment	200	200
Deferred revenue and other used for acquisition of property and equipment	1,469	1,399
Transfers to other net assets	(169)	(161)
Other	470	(428)
Increase in unrestricted net assets	36,542	778
Temporarily restricted net assets:		
Contributions	6,704	5,503
Investment income	22,386	16,704
Net assets released from restrictions	(30,528)	(29,689)
Unrealized depreciation of investments	0	(19,340)
Transfers from other net assets	5,340	5,086
Acquired entities, beginning balance	0	18,015
Other	0	(530)
Increase/(decrease) in temporarily restricted net assets	3,902	(4,251)
Permanently restricted net assets:		
Contributions	2,895	2,791
Investment income	1,240	1,181
Unrealized appreciation of investments	4,343	1,393
Transfers to other net assets	(5,171)	(4,925)
Acquired entities, beginning balance	0	23,562
Increase in permanently restricted net assets	3,507	24,002
Increase in net assets	43,951	20,529
Net assets, beginning of year	791,311	770,782
Net assets, end of year	\$835,262	\$791,311

PNC30905

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ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION
BUDGETED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended June 30, 1998 and 1997
(Dollars in thousands)

	FY 1998 Budget	FY 1997 Projection
Cash flows from operating activities:		
Net income	\$34,572	\$22,500
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	120,977	109,511
Increase/(decrease) in cash and short-term investments from changes in:		
Patient accounts receivable	(7,891)	(849)
Other receivables	(16,042)	9,344
Inventories	1,113	(131)
Prepaid expenses	(3)	5,089
Accounts payable and accrued expenses	13,675	(21,069)
Deferred revenue	4,991	3,007
Self-insurance liabilities	9,652	4,270
Other	(11,572)	(44,837)
Net cash provided by operating activities	149,474	86,835
Cash flows from investing activities:		
Net increase in assets limited as to use	(46,903)	(55,116)
Cash balance of entities acquired in FY 1997	0	8,670
Acquisition of physician practice assets, net	0	(25,600)
Acquisition of property and equipment, net	(69,392)	(122,215)
Proceeds from sale of property and equipment	0	109,080
Net cash used by investing activities	(116,295)	(85,181)
Cash flows from financing activities:		
Net drawdown/(repayment) on lines of credit	(256)	16,800
Repayment of long-term debt	(31,019)	(17,957)
Net cash used by financing activities	(31,275)	(1,157)
Net increase in cash and short-term investments	1,904	497
Cash and short-term investments, beginning of year	13,266	12,769
Cash and short-term investments, end of year	\$15,170	\$13,266

PNC30906

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATIO Power 1 ID #:0000140975
 Pittsburgh PA Legal Form:Non-profit organization
 Business:General medical and surgical hSIC:8062 Stmt Type:Consolid.
 Auditors:Coopers & Lybrand Format:Healthcare/N
 Spread by:PNC Bank Corp. Analyst:CHUCK SHEEHAN
 Units:Millions. Date Printed:12/08/97

Non-Profit Summary Financials

	RECLASS JUN 30 1994 12 MTHS	RECLASS JUN 30 1995 12 MTHS	AUDITED JUN 30 1996 12 MTHS	DRAFT JUN 30 1997 12 MTHS
=====				
BALANCE SHEET				
=====				
ASSETS				

Cash & Equivalents	82	42	2	21
Marketable Securities	27	16	11	4
Net Patient Receivables	193	255	320	367
Other Receivables	17	25	45	92
Inventory	20	21	23	33
Prepaid Expenses	11	13	15	15
Asset Limited in Use/Trustee Funds			49	74
TOTAL CURRENT ASSETS	350	372	465	606

Net Fixed Assets	662	704	741	921
Board Designated Funds	272	284	334	411
Assets Limited in Use/Trustee Funds	154	211	229	370
Investments - Long Term	29	32		
Other Assets	47	56	100	316
TOTAL ASSETS	1,514	1,659	1,869	2,624
=====				
LIABILITIES				

Notes Payable	13	6	40	57
CMLTD	13	13	9	35
Accounts Payable/Accruals	162	170	239	490
Deferred Revenue - Current	2	5	10	16
TOTAL CURRENT LIABILITIES	190	194	298	598

Long Term Debt	521	608	664	960
Insurance Reserve	71	77	78	92
Deferred Revenue - Non-Current				20
Other Liabilities	44	51	58	129
TOTAL LIABILITIES	826	930	1,098	1,799
=====				
NET ASSETS				

Unrestricted Fund Balance	518	547	559	570
Temporarily Restricted Fund Balance			109	111
Permanently Restricted Fund Balance	170	182	103	144
NET ASSETS	688	729	771	825

TOTAL LIAB & NET ASSETS	1,514	1,659	1,869	2,624

AHERF
Balance Sheet

- A majority of AHERF's non-pension investments (including endowment, funded depreciation, and special purpose funds) have been commingled for investment management purposes and are included in the AHERF Non-Pension Master Trust structure.
- Other Receivables primarily represents grants receivable and deferred grants. Grants and contracts are recognized in the year in which expenditures are made, either as a research support or, in the case of expenditures for property and equipment, as additions to net assets.
- During fiscal year 1997, AGH sold certain non-clinical assets, which are being leased back by AGH over a twenty year period. Such transaction resulted in a gain, which has been deferred and will be amortized into income over the lease term. The amount of the unamortized gain was \$15,587 at 6/30/97 and is classified as deferred revenue.
- Other Assets consist primarily of bond financing costs, equity investments and investments in other joint ventures, organizational costs, program development costs, goodwill, covenants not-to-compete, and cash surrender values on life insurance policies.
- LTD breakout, Refer to Exhibit 5.
- Restricted Assets are not separated between Temporary and Permanent at 6/30/94 and 6/30/95.

PNC30907

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATIO Power 1 ID #:0000140975
 Pittsburgh PA Legal Form:Non-profit organization
 Business:General medical and surgical hSIC:8062 Stmt Type:Consolid.
 Auditors:Coopers & Lybrand Format:Healthcare/N
 Spread by:PNC Bank Corp. Analyst:CHUCK SHEEHAN
 Units:Millions Date Printed:12/08/97

Non-Profit Summary Financials

	RECLASS JUN 30 1994 12 MTHS	RECLASS JUN 30 1995 12 MTHS	AUDITED JUN 30 1996 12 MTHS	DRAFT JUN 30 1997 12 MTHS
=====				
INCOME STATEMENT				

Net Patient Revenues	853	1,246	1,352	1,703
Other Operating Revenues	93	157	162	220
TOTAL OPERATING REVENUES	946	1,403	1,514	1,923

General & Administrative Expenses	308	448	504	700
Salary, Wage and Benefit Expense	568	840	960	1,188
INCOME BEF DEPR, AMRT, INT EXP	70	115	50	35

Depreciation	56	84	95	108
Interest Expense	27	39	41	38
INCOME FROM OPERATIONS	-13	-8	-86	-111

Investment Income			74	86
Other Non-Operating Income	27	38	19	47
INCOME BEFORE TAXES & EXTRA ITEMS	14	30	7	22

Extraordinary Income			-33	
Accounting Change Income			14	
EXCESS OF REVENUE OVER EXPENSES	14	30	-12	22

Change in Unrestricted Net Assets	71	-1	4	-12
Change in Temp Restricted Net Assets			8	2
Change in Perm Restricted Net Assets	57	12	58	42
CHANGE IN NET ASSETS	142	41	58	54

Income Statement

- Other Operating Income consists of: Research and Training Support (\$71,524M); Academic Activities (\$64,434M); and Other Revenue (\$83,156M).
- Other Non-operating Income represents Net Assets Released from Restrictions Used for Operations.
- In FY96, Extraordinary Loss was due to the early extinguishment of debt
- In FY94, \$72.0MM of the increase in Unrestricted Net Assets was due to Affiliation with Hahnemann.

PNC30908

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATIO Power 1 ID #:0000140975
Pittsburgh PA Legal Form:Non-profit organization
Business:General medical and surgical hSIC:8062 Stmt Type:Consolid.
Auditors:Coopers & Lybrand Format:Healthcare/N
Spread by:PNC Bank Corp. Analyst:CHUCK SHEEHAN
Units:Millions Date Printed:12/08/97

Non-Profit PNC Cash Flow	RECLASS JUN 30 1994 12 MTHS	RECLASS JUN 30 1995 12 MTHS	AUDITED JUN 30 1996 12 MTHS	DRAFT JUN 30 1997 12 MTHS
=====				
NON-PROFIT PNC CASH FLOW REPORT				
=====				
CHANGE IN NET ASSETS	142	41	58	54
Adjustments to Reconcile:				
Depreciation/Amortization	56	84	95	108
Other Non-Cash Items	-9	-4	-76	-45
Funds from Continuing Operations	189	121	77	117
Change in Operating Accounts	28	-50	-41	-38
Adjustments to Reconcile	-128	-10		
NET CASH PROVIDED BY CONTINUING OPER	89	61	36	79
=====				
CASH FLOWS FROM INVESTING ACTIVITIES				
=====				
Capital Expenditures	-57	-122	-143	-113
Proceeds from Sale of Assets			27	34
Acquisitions			-21	-32
Other Investing Activities	30	-60	57	58
NET CASH USED IN INVESTING	-27	-182	-80	-53
=====				
CASH FLOWS FROM FINANCING ACTIVITIES				
=====				
Change in Short Term Financing	-21	-7	34	11
Change in Long Term Financing	-10	88	18	-18
Change in Other Equity Accounts			-10	
NET CASH FROM FINANCING	-31	81	42	-7
=====				
NET INCREASE IN CASH	31	-40	-2	19
ACTUAL CHANGE IN CASH	31	-40	-40	19
=====				
Previous Year CMLTD	16	12	13	9
Interest Coverage	3.59	3.92	3.49	4.42
Debt Service Coverage	2.26	3.00	2.65	3.57
Fixed Charge Coverage	0.97	0.88	0.73	1.05

Cash Flow

- In FY96, the discrepancy between Net Increase in Cash and Actual Change in Cash is due to the unavailability of restated FY94 and FY95 statements.
- Aquisitions account for aquisitions of physician practice assets and intangible assets.
- Scheduled principal repayments and sinking fund requirements on the LTD:

1998	\$34,704M
1999	29,059
2000	29,937
2001	31,349
2002	32,189
- Future minimum lease payments under noncancelable operating leases as of 6/30/97:

1998	\$55,041
1999	52,204
2000	46,914
2001	37,961
2002	30,419
2003-	209,137
Total	\$431,676

PNC30909

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATIO Power 1 ID #:0000140975
 Pittsburgh PA Legal Form:Non-profit organization
 Business:General medical and surgical hSIC:8062 Stmt Type:Consolid.
 Auditors:Coopers & Lybrand Format:Healthcare/N
 Spread by:PNC Bank Corp. Analyst:CHUCK SHEEHAN
 Units:Millions. Date Printed:12/08/97

Non-Profit Acute Care Ratios	RECLASS JUN 30 1994 12 MTHS	RECLASS JUN 30 1995 12 MTHS	AUDITED JUN 30 1996 12 MTHS	DRAFT JUN 30 1997 12 MTHS
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NON-PROFIT ACUTE CARE RATIOS

GROWTH RATIOS:

Total Oper Revenue Growth	3.96	48.31	7.91	27.01
Income from Operations Growth	-62.50	38.46	-975.00	-29.07
Excess Revenue Growth	-17.65	114.29	-140.00	283.33
Total Assets Growth	33.63	9.58	12.66	40.40
Total Liabilities Growth	40.72	12.59	18.06	63.84
Fund Balance Growth	26.01	5.96	5.76	7.00

OPERATING PERFORMANCE RATIOS:

Salary,Wage,Bnft Exp/Tot Oper Rev	60.04	59.87	63.41	61.78
Inc bef Depr, Amrt, Int	70	115	50	35
Inc bef Depr, Amrt, Int/Tot Oper Rev	7.40	8.20	3.30	1.82
Operating Margin	-1.37	-0.57	-5.68	-5.77
Nonoperating Income/Net Income	192.86	126.67	-775.00	604.55
Excess Margin	1.48	2.14	-0.79	1.14
EBITDA	97	153	143	168
EBITDA Margin	10.25	10.91	9.45	8.74
EBITDAR	97	153	143	168
EBITDAR Margin	10.25	10.91	9.45	8.74

COVERAGE RATIOS:

Interest Coverage	3.59	3.92	3.49	4.42
Debt Service Coverage	2.26	3.00	2.65	3.57
Fixed Charge Coverage	0.97	0.88	0.73	1.05
Fixed Charge Coverage (w/o CAPEX)	2.26	3.00	2.65	3.57

LEVERAGE RATIOS:

Total LTD/Capitalization	50.76	53.17	54.63	63.58
Total Adj LTD/Adj Capitalization	50.76	53.17	54.63	63.58
Senior LTD/Capitalization	50.76	53.17	54.63	63.58
Total Adj LTD/EBITDAR	5.51	4.06	4.71	5.92
Senior Adj LTD/EBITDAR	5.51	4.06	4.71	5.92

LIQUIDITY & ACTIVITY RATIOS:

Current Ratio	1.84	1.92	1.56	1.01
Receivables in Days	83	75	86	79
Cushion Ratio	8.86	6.71	6.43	9.28
Cash+Mkt Sec+Bd Desig Fds/Senior LTD	0.71	0.55	0.52	0.44

UTILIZATION STATS:

Payor Mix:
 % of Revenues

ALLEGHENY UNIVERSITY MEDICAL CENTERS

Business: General medical and surgical SIC: 8062
 Auditors:
 Spread by: PNC Bank Corp.
 Units: Thousands

Power 1 ID #:
 Legal Form: Other
 Stmt Type: Consolidated
 Format: Healthcare
 Analyst: B Camp
 Date Printed: 12/04/97

Non-Profit Summary Financials

DRAFT
 JUN 30
 1997
 12 MTHS

BALANCE SHEET	
ASSETS	
Cash & Equivalents	8,729
Net Patient Receivables	27,004
Other Receivables	1,379
Inventory	2,270
Prepaid Expenses	1,689
Asset Limited in Use/Trustee Funds	2,960
TOTAL CURRENT ASSETS	44,031
Net Fixed Assets	4,234
Assets Limited in Use/Trustee Funds	184,544
Other Assets	7,424
TOTAL ASSETS	240,233
LIABILITIES	
CMLTD	3,462
Accounts Payable/Accruals	24,419
TOTAL CURRENT LIABILITIES	27,881
Long Term Debt	118,150
Due to Affiliates and Related Cos.	16,632
Insurance Reserve	1,301
Other Liabilities	41,128
TOTAL LIABILITIES	205,092
NET ASSETS	
Unrestricted Fund Balance	16,189
Permanently Restricted Fund Balance	18,952
NET ASSETS	35,141
TOTAL LIAB & NET ASSETS	240,233

AUMC

Balance Sheet

- Other Receivables primarily represents grants receivable and deferred grants. Grants are recognized in the year expenditures are made. Receivables are recorded when expenditures exceed funds received.
- During fiscal year 1997, AGH sold certain non-clinical assets, which are being leased back by AGH over a twenty year period. Such transaction resulted in a gain, which has been deferred and will be amortized into income over the lease term. The amount of the unamortized gain was \$15,587 at 6/30/97 and is classified as deferred revenue.
- Other Assets consist primarily of bond financing costs, equity investments and investments in other joint ventures, organizational costs, program development costs, goodwill, covenants not-to-compete, and cash surrender values on life insurance policies.
- LTD breakout. Refer to Exhibit 5.

PNC30911

ALLEGHENY UNIVERSITY MEDICAL CENTERS

Business: General medical and surgical SIC: 8062
 Auditors:
 Spread by: PNC Bank Corp.
 Units: Thousands

Power 1 ID #:
 Legal Form: Other
 Stmt Type: Consolidated
 Format: Healthcare
 Analyst: B Camp
 Date Printed: 12/04/97

Non-Profit Summary Financials

DRAFT
 JUN 30
 1997
 12 MTHS

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INCOME STATEMENT	

Net Patient Revenues	103,059
Other Operating Revenues	1,962
TOTAL OPERATING REVENUES	105,021
General & Administrative Expenses	37,136
Salary, Wage and Benefit Expense	53,130
INCOME BEF DEPR, AMRT, INT EXP	14,755
Depreciation	-1,386
Interest Expense	3,707
INCOME FROM OPERATIONS	12,434
Investment Income	6,882
Other Non-Operating Income	741
INCOME BEFORE TAXES & EXTRA ITEMS	20,057
EXCESS OF REVENUE OVER EXPENSES	20,057
Change in Unrestricted Net Assets	-3,868
Change in Perm Restricted Net Assets	18,952
CHANGE IN NET ASSETS	35,141

Income Statement

Other Non-operating Income represents Net Assets Released from Restrictions Used for Operations.

PNC30912

ALLEGHENY UNIVERSITY MEDICAL CENTERS

Business: General medical and surgical SIC: 8062
 Auditors:
 Spread by: PNC Bank Corp.
 Units: Thousands

Power 1 ID #:
 Legal Form: Other
 Stmt Type: Consolidated
 Format: Healthcare
 Analyst: B Camp
 Date Printed: 12/04/97

Non-Profit PNC Cash Flow
 DRAFT
 JUN 30
 1997
 12 MTHS

```
=====
NON-PROFIT PNC CASH FLOW REPORT
=====
CHANGE IN NET ASSETS                                35,141
Adjustments to Reconcile:
  Depreciation/Amortization                         -1,386
  Other Non-Cash Items                             -17,539
Funds from Continuing Operations                    16,216

Change in Operating Accounts                        -19,239

NET CASH PROVIDED BY CONTINUING OPER                 -3,023
=====
CASH FLOWS FROM INVESTING ACTIVITIES
  Capital Expenditures                             -4,150
  Other Investing Activities                         -78

NET CASH USED IN INVESTING                          -4,228
=====
CASH FLOWS FROM FINANCING ACTIVITIES
  Change in Long Term Financing                     -652
  Change in Other Equity Accounts                   16,632

NET CASH FROM FINANCING                             15,980
=====
NET INCREASE IN CASH                                8,729

=====
Interest Coverage                                    6.04
Debt Service Coverage                               6.04
Fixed Charge Coverage                               2.85
=====
```

Cash Flow Statement

- Other Non-Cash Items represents Net Asset Balances Related to Business Combinations.

PNC30913

ALLEGHENY UNIVERSITY MEDICAL CENTERS

Business: General medical and surgical SIC: 8062
 Auditors:
 Spread by: PNC Bank Corp.
 Units: Thousands

Power 1 ID #:
 Legal Form: Other
 Stmt Type: Consolidated
 Format: Healthcare
 Analyst: B Camp
 Date Printed: 12/04/97

Non-Profit Acute Care Ratios
 DRAFT
 JUN 30
 1997
 12 MTHS

=====NON-PROFIT ACUTE CARE RATIOS=====

-----GROWTH RATIOS:-----

-----OPERATING PERFORMANCE RATIOS:-----

Salary, Wage, Bnft Exp/Tot Oper Rev	50.59
Inc bef Depr, Amrt, Int	14,755
Inc bef Depr, Amrt, Int/Tot Oper Rev	14.05
Operating Margin	11.84
Nonoperating Income/Net Income	38.01
Excess Margin	19.10
EBITDA	22,378
EBITDA Margin	21.31
EBITDAR	22,378
EBITDAR Margin	21.31

-----COVERAGE RATIOS:-----

Interest Coverage	6.04
Debt Service Coverage	6.04
Fixed Charge Coverage	2.85
Fixed Charge Coverage (w/o CAPEX)	6.04

-----LEVERAGE RATIOS:-----

Total LTD/Capitalization	88.25
Total Adj LTD/Adj Capitalization	88.25
Senior LTD/Capitalization	88.25
Total Adj LTD/EBITDAR	5.43
Senior Adj LTD/EBITDAR	5.43

-----LIQUIDITY & ACTIVITY RATIOS:-----

Current Ratio	1.58
Receivables in Days	96
Cushion Ratio	2.35
Cash+Mkt Sec+Bd Desig Fds/Senior LTD	0.07

-----UTILIZATION STATS:-----

Licensed Beds	760
Staffed Beds	758
Admissions	27,600
Length of Stay	7.00
Patient Days	183,186
Occupancy (Staffed Beds), %	66.04
Outpatient Admissions	273,223
Payor Mix:	
Medicare, %	53.91
Medicaid, %	4.07
Blue Cross, %	8.48
Managed Care, %	27.04
% of Revenues	

PNC30914

ALLEGHENY GENERAL HOSPITAL
Pittsburgh PA
Business: General medical and surgical hSIC: 8062
Auditors: Coopers & Lybrand
Spread by: PNC Bank Corp.
Units: Thousands

Power 1 ID #: 0000006997
Legal Form: Other
Stmt Type: Consolid.
Format: Healthcare/N
Analyst: T. McGogney
Date Printed: 12/08/97

Non-Profit Summary Financials

	AUDITED JUN 30 1995 12 MTHS	AUDITED JUN 30 1996 12 MTHS	DRAFT JUN 30 1997 12 MTHS	UNAUDT SEP 30 1996 3 MTHS	UNAUDT SEP 30 1997 3 MTHS
=====					
BALANCE SHEET					
=====					
ASSETS					
Cash & Equivalents	4,510	2,447	4,962	5,994	7,952
Marketable Securities	10,063	11,394	2,901	7,341	
Net Patient Receivables	67,959	50,036	54,158	61,913	55,013
Other Receivables	2,307	5,077	7,593	6,930	6,566
Inventory	9,431	10,045	10,737	10,849	10,514
Prepaid Expenses	629	839	1,249	774	868
Asset Limited in Use/Trustee Funds		3,957	4,643	2,420	2,867
TOTAL CURRENT ASSETS	94,899	83,795	86,243	96,221	83,780
Net Fixed Assets	267,018	248,747	231,588	243,690	227,753
Board Designated Funds	166,662	151,298		114,120	168,352
Assets Limited in Use/Trustee Funds	40,014	30,393	172,484	26,344	10,473
Due From Affiliates		26,369	29,830	32,912	23,483
Other Assets	14,749	25,760	68,095	26,895	67,663
TOTAL ASSETS	583,342	566,362	588,240	540,182	581,504
=====					
LIABILITIES					
CMLTD	4,782	7,023	7,567	7,270	7,866
Accounts Payable/Accruals	36,107	54,044	58,837	45,283	60,316
Deferred Revenue - Current	3,362	3,717		4,719	
TOTAL CURRENT LIABILITIES	44,251	64,784	66,404	57,272	68,182
Long Term Debt	268,444	257,521	242,454	245,217	237,352
Deferred Revenue - Non-Current	2,920	1,074			15,385
Other Liabilities	14,797	784	16,191	711	555
TOTAL LIABILITIES	330,412	324,163	325,049	303,200	321,474
=====					
NET ASSETS					
Unrestricted Fund Balance	222,694	227,876	252,086	222,682	246,894
Temporarily Restricted Fund Balance	19,371	6,773	3,576	14,300	4,284
Permanently Restricted Fund Balance	10,865	7,550	7,529		8,852
NET ASSETS	252,930	242,199	263,191	236,982	260,030
TOTAL LIAB & NET ASSETS	583,342	566,362	588,240	540,182	581,504

AGH
Balance Sheet

- Other Receivables primarily represents grants receivable and deferred grants. Grants are recognized in the year expenditures are made. Receivables are recorded when expenditures exceed funds received.
- During fiscal year 1997, AGH sold certain non-clinical assets, which are being leased back by AGH over a twenty year period. Such transaction resulted in a gain, which has been deferred and will be amortized into income over the lease term. The amount of the unamortized gain was \$15,587 at 6/30/97 and is classified as deferred revenue.
- Other Assets consist primarily of bond financing costs, equity investments and investments in other joint ventures, organizational costs, program development costs, goodwill, covenants not-to-compete, and cash surrender values on life insurance policies.
- LTD breakout. Refer to Exhibit 5.

PNC30915

ALLEGHENY GENERAL HOSPITAL
Pittsburgh PA
Business:General medical and surgical hSIC:8062
Auditors:Coopers & Lybrand
Spread by:PNC Bank Corp.
Units:Thousands

Power 1 ID #:0000006997
Legal Form:Other
Stmt Type:Consolid.
Format:Healthcare/N
Analyst:T. McGogney
Date Printed:12/08/97

Non-Profit Summary Financials

	AUDITED JUN 30 1995 12 MTHS	AUDITED JUN 30 1996 12 MTHS	DRAFT JUN 30 1997 12 MTHS	UNAUDT SEP 30 1996 3 MTHS	UNAUD SEP 3 1997 3 MTH
=====					
INCOME STATEMENT					

Net Patient Revenues	405,427	394,561	441,088	105,743	116,39
Other Operating Revenues	31,126	32,770	15,192	9,153	2,69
TOTAL OPERATING REVENUES	436,553	427,331	456,280	114,896	119,09

General & Administrative Expenses	174,347	184,788	224,748	55,370	51,76
Salary, Wage and Benefit Expense	208,626	204,513	197,392	50,991	58,58
Other Operating Expense	13,977	16,874			
INCOME BEF DEPR, AMRT, INT EXP	39,603	21,156	34,140	8,535	8,74
Depreciation	26,578	33,284	30,873	8,048	9,25
Interest Expense	11,642	13,927	12,975	3,547	3,41
INCOME FROM OPERATIONS	1,383	-26,055	-9,708	-3,060	-3,92
Donations	563				
Investment Income	13,482	23,291	20,470	3,649	4,67
Other Non-Operating Expense	39				
Other Non-Operating Income		8,518	1,081	432	22
Other					-4,49
INCOME BEFORE TAXES & EXTRA ITEMS	15,389	5,754	11,843	1,021	-3,52
Extraordinary Expense		3,149			
Accounting Change Income		3,716			
EXCESS OF REVENUE OVER EXPENSES	15,389	6,321	11,843	1,021	-3,52
Change in Unrestricted Net Assets		-14,158	30,596		-1,66
other		562			
other		1,091			
Change in Temp Restricted Net Assets		-5,202	1,261		70
Change in Perm Restricted Net Assets		655	5,965		1,32
CHANGE IN NET ASSETS	15,389	-10,731	49,665	1,021	-3,16

Income Statement

- Other Operating Income consists of : Research and Training Support (\$71,524M); Academic Activities (\$64,434M); and Other Revenue (\$83,156M).
- Other Non-operating Income represents Net Assets Released from Restrictions Used for Operations.
- At 9/30/97, **Other** represents Allegheny Campus Support and primary research support of AUHS (medical school).

PNC30916

ALLEGHENY GENERAL HOSPITAL
Pittsburgh PA
Business: General medical and surgical hSIC: 8062
Auditors: Coopers & Lybrand
Spread by: PNC Bank Corp.
Units: Thousands

Power 1 ID #: 0000006997
Legal Form: Other
Stmt Type: Consolid.
Format: Healthcare/N
Analyst: T. McGogney
Date Printed: 12/08/97

Non-Profit PNC Cash Flow	AUDITED JUN 30 1995 12 MTHS	AUDITED JUN 30 1996 12 MTHS	DRAFT JUN 30 1997 12 MTHS	UNAUDIT SEP 30 1996 3 MTHS	UNAUDIT SEP 30 1997 3 MTHS
=====					
NON-PROFIT PNC CASH FLOW REPORT					
CHANGE IN NET ASSETS	3,119	-10,731	49,665	-5,194	-3,161
Adjustments to Reconcile:					
Depreciation/Amortization	26,630	33,365	30,873	8,068	9,075
Other Non-Cash Items	-6,964	-3,432	-1,030	-510	295
Net Transfers to Affiliates			-74,924		
Funds from Continuing Operations	22,785	19,202	4,584	2,364	6,209
Change in Operating Accounts	9,856	-17,935	523	-26,816	1,757
NET CASH PROVIDED BY CONTINUING OPER	32,641	1,267	5,107	-24,452	7,966
=====					
CASH FLOWS FROM INVESTING ACTIVITIES					
Capital Expenditures	-54,647	-34,209	-12,911	-2,991	-4,437
Proceeds from Sale of Assets		27,400	34,080		
Other Investing Activities	-70,933	30,527	-3,747	42,608	-1,519
NET CASH USED IN INVESTING	-125,580	23,718	17,422	39,617	-5,956
=====					
CASH FLOWS FROM FINANCING ACTIVITIES					
Change in Long Term Financing	94,926	-8,763	-14,602	-12,077	-4,824
Change in Other Equity Accounts	-15,338	-14,158	-4,702	-5,756	3,267
NET CASH FROM FINANCING	79,588	-22,921	-19,304	-17,833	-1,557
=====					
ADJUSTMENTS	12,270				
NET INCREASE IN CASH	-1,081	2,064	3,225	-2,668	453
ACTUAL CHANGE IN CASH	-1,081	-2,063	2,515	3,547	2,990
=====					
Previous Year CMLTD	4,541	4,782	7,023	N/A	N/A
Interest Coverage	4.60	3.80	4.29	3.56	2.68
Debt Service Coverage	3.31	2.83	2.78	N/A	N/A
Fixed Charge Coverage	0.76	1.00	1.69	N/A	N/A

PNC30917

ALLEGHENY GENERAL HOSPITAL
Pittsburgh PA
Business: General medical and surgical hSIC: 8062
Auditors: Coopers & Lybrand
Spread by: PNC Bank Corp.
Units: Thousands

Power 1 ID #: 0000006997
Legal Form: Other
Stmt Type: Consolid.
Format: Healthcare/N
Analyst: T. McGogney
Date Printed: 12/08/97

Non-Profit Acute Care Ratios	AUDITED JUN 30 1995 12 MTHS	AUDITED JUN 30 1996 12 MTHS	DRAFT JUN 30 1997 12 MTHS	UNAUDT SEP 30 1996 3 MTHS	UNAUD SEP 3 199 3 MTH
=====					
NON-PROFIT ACUTE CARE RATIOS					

GROWTH RATIOS:					
Total Oper Revenue Growth	1.86	-2.11	6.77	N/A	N/
Income from Operations Growth	-43.92	-1,983.95	62.74	N/A	N/
Excess Revenue Growth	9.62	-58.93	87.36	N/A	N/
Total Assets Growth	18.42	-2.91	3.86	-4.62	-1.1
Total Liabilities Growth	36.09	-1.89	0.27	-6.47	-1.1
Fund Balance Growth	1.25	-4.24	8.67	-2.15	-1.2

OPERATING PERFORMANCE RATIOS:					
Salary, Wage, Bnft Exp/Tot Oper Rev	47.79	47.86	43.26	44.38	49.1
Inc bef Depr, Amrt, Int	39,603	21,156	34,140	8,535	8,74
Inc bef Depr, Amrt, Int/Tot Oper Rev	9.07	4.95	7.48	7.43	7.3
Operating Margin	0.32	-6.10	-2.13	-2.66	-3.3
Nonoperating Income/Net Income	91.27	503.23	181.97	399.71	-11.4
Excess Margin	3.53	1.48	2.60	0.89	-2.9
EBITDA	53,609	52,965	55,691	12,616	9,15
EBITDA Margin	12.28	12.39	12.21	10.98	7.6
EBITDAR	53,609	52,965	55,691	12,616	9,15
EBITDAR Margin	12.28	12.39	12.21	10.98	7.6

COVERAGE RATIOS:					
Interest Coverage	4.60	3.80	4.29	3.56	2.6
Debt Service Coverage	3.31	2.83	2.78	N/A	N/
Fixed Charge Coverage	0.76	1.00	1.69	N/A	N/
Fixed Charge Coverage (w/o CAPEX)	3.31	2.83	2.78	N/A	N/

LEVERAGE RATIOS:					
Total LTD/Capitalization	55.09	53.72	49.79	53.14	49.8
Total Adj LTD/Adj Capitalization	55.09	53.72	49.79	53.14	49.8
Senior LTD/Capitalization	55.09	53.72	49.79	53.14	49.8
Total Adj LTD/EBITDAR	5.10	4.99	4.49	5.00	6.7
Senior Adj LTD/EBITDAR	5.10	4.99	4.49	5.00	6.7

LIQUIDITY & ACTIVITY RATIOS:					
Current Ratio	2.14	1.29	1.30	1.68	1.2
Receivables in Days	61	46	45	53	4
Cushion Ratio	11.20	8.83	0.39	6.01	8.3
Cash+Mkt Sec+Bd Desig Fds/Senior LTD	0.66	0.62	0.03	0.50	0.7

UTILIZATION STATS:					
Licensed Beds	857	808	800		
Staffed Beds	857	787	764		
Admissions	30,381	30,302	32,732		8,66
Length of Stay	6.80	6.30	6.00		
Patient Days	206,849	190,663	202,794		
Occupancy (Staffed Beds), %	70.00	65.00	73.00		
Payor Mix:					
Medicare, %	46.28	43.42			
Medicaid, %	9.68	8.92			
Blue Cross, %	21.93	24.59			
% of Revenues					

PNC30918

AHERF - DELEWARE VALLEY OBLIGATED GROUP
 Pittsburgh PA
 Business: General Hospitals
 Auditors:
 Spread by: PNC Bank Corp.
 Units: Thousands

SIC: 8062

Power 1 ID #:
 Legal Form: Non-Profit Organization
 Stmt Type: Combined
 Format: Healthcare-N
 Analyst: A. Cortopassi
 Date Printed: 12/08/97

Non-Profit Summary Financials

	AUDITED	DRAFT
	JUN 30	JUN 30
	1996	1997
	12 MTHS	12 MTHS

BALANCE SHEET

ASSETS

Cash & Equivalents	27,282	20,444
Marketable Securities		6
Net Patient Receivables	252,568	201,914
Other Receivables	38,219	40,312
Inventory	12,749	12,733
Prepaid Expenses	3,380	4,568
Asset Limited in Use/Trustee Funds	24,039	26,167

TOTAL CURRENT ASSETS

358,237 306,144

Net Fixed Assets	419,945	476,191
Assets Limited in Use/Trustee Funds	157,772	204,322
Due From Affiliates	19,145	
Other Assets	23,153	41,638

TOTAL ASSETS

978,252 1,028,295

LIABILITIES

Notes Payable	40,300	57,100
CMLTD	690	12,803
Accounts Payable/Accruals	118,608	129,683
Deferred Revenue - Current	13,323	17,823
Due to Affiliates	21,389	

TOTAL CURRENT LIABILITIES

194,310 217,409

Long Term Debt	406,450	394,478
Due to Affiliates and Related Cos.	79,942	40,992
Insurance Reserve	9,430	7,320
Other Liabilities	19,899	19,690

TOTAL LIABILITIES

710,031 679,889

NET ASSETS

Unrestricted Fund Balance	150,925	191,270
Temporarily Restricted Fund Balance	50,053	76,997
Permanently Restricted Fund Balance	67,243	80,139

NET ASSETS

268,221 348,406

TOTAL LIAB & NET ASSETS

978,252 1,028,295

PNC30919

AHERF - DELEWARE VALLEY OBLIGATED GROUP
 Pittsburgh PA
 Business: General Hospitals
 Auditors:
 Spread by: PNC Bank Corp.
 Units: Thousands

SIC: 8062

Power 1 ID #:
 Legal Form: Non-Profit Organization
 Stmt Type: Combined
 Format: Healthcare-N
 Analyst: A. Cortopassi
 Date Printed: 12/08/97

Non-Profit Summary Financials

	AUDITED	DRAFT
	JUN 30	JUN 30
	1996	1997
	12 MTHS	12 MTHS

===== INCOME STATEMENT =====

Net Patient Revenues	883,816	956,980
Other Operating Revenues	211,391	194,452
TOTAL OPERATING REVENUES	1,095,207	1,151,432
General & Administrative Expenses	421,345	411,078
Salary, Wage and Benefit Expense	597,645	661,370
INCOME BEF DEPR, AMRT, INT EXP	76,217	78,984
Depreciation	50,339	57,099
Interest Expense	26,984	24,366
INCOME FROM OPERATIONS	-1,106	-2,481
Investment Income	17,588	17,796
Other Non-Operating Income	10,398	8,386
INCOME BEFORE TAXES & EXTRA ITEMS	26,880	23,701
Extraordinary Expense	32,534	
Accounting Change Income	4,363	
EXCESS OF REVENUE OVER EXPENSES	-1,291	23,701
Change in Unrestricted Net Assets	-70,990	16,644
Change in Temp Restricted Net Assets		26,944
Change in Perm Restricted Net Assets		12,896
CHANGE IN NET ASSETS	-72,281	80,185

PNC30920

AHERF - DELEWARE VALLEY OBLIGATED GROUP
 Pittsburgh PA
 Business: General Hospitals SIC: 8062
 Auditors:
 Spread by: PNC Bank Corp.
 Units: Thousands

Power 1 ID #:
 Legal Form: Non-Profit Organization
 Stmt Type: Combined
 Format: Healthcare-N
 Analyst: A. Cortopassi
 Date Printed: 12/08/97

Non-Profit PNC Cash Flow	AUDITED JUN 30 1996 12 MTHS	DRAFT JUN 30 1997 12 MTHS
=====		
NON-PROFIT PNC CASH FLOW REPORT		
=====		
CHANGE IN NET ASSETS	-72,281	80,185
Adjustments to Reconcile:		
Depreciation/Amortization		57,099
Other Non-Cash Items		-33,302
Net Transfers to Affiliates		-58,139
Funds from Continuing Operations	-72,281	45,843
Change in Operating Accounts		757
NET CASH PROVIDED BY CONTINUING OPER	-72,281	46,600
=====		
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures		-51,418
Other Investing Activities		-25,880
NET CASH USED IN INVESTING		-77,298
=====		
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in Short Term Financing		16,800
Change in Long Term Financing		120
Change in Other Equity Accounts		6,940
NET CASH FROM FINANCING		23,860
=====		
NET INCREASE IN CASH	-72,281	-6,838
ACTUAL CHANGE IN CASH	N/A	-6,838
=====		
Interest Coverage	3.86	4.32
Debt Service Coverage	3.86	4.32
Fixed Charge Coverage	3.86	1.39

AHERF - DELEWARE VALLEY OBLIGATED GROUP
 Pittsburgh PA
 Business: General Hospitals SIC: 8062
 Auditors:
 Spread by: PNC Bank Corp.
 Units: Thousands

Power 1 ID #:
 Legal Form: Non-Profit Organization
 Stmt Type: Combined
 Format: Healthcare-N
 Analyst: A. Cortopassi
 Date Printed: 12/08/97

Non-Profit Acute Care Ratios	AUDITED JUN 30 1996 12 MTHS	DRAFT JUN 30 1997 12 MTHS
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NON-PROFIT ACUTE CARE RATIOS

GROWTH RATIOS:

Total Oper Revenue Growth	N/A	5.13
Income from Operations Growth	N/A	-124.32
Excess Revenue Growth	N/A	1,935.86
Total Assets Growth	N/A	5.12
Total Liabilities Growth	N/A	-4.25
Fund Balance Growth	N/A	29.90

OPERATING PERFORMANCE RATIOS:

Salary, Wage, Bnft Exp/Tot Oper Rev	54.57	57.44
Inc bef Depr, Amrt, Int	76,217	78,984
Inc bef Depr, Amrt, Int/Tot Oper Rev	6.96	6.86
Operating Margin	-0.10	-0.22
Nonoperating Income/Net Income	-2,167.78	110.47
Excess Margin	-0.12	2.06
EBITDA	104,203	105,166
EBITDA Margin	9.51	9.13
EBITDAR	104,203	105,166
EBITDAR Margin	9.51	9.13

COVERAGE RATIOS:

Interest Coverage	3.86	4.32
Debt Service Coverage	3.86	4.32
Fixed Charge Coverage	3.86	1.39
Fixed Charge Coverage (w/o CAPEX)	3.86	4.32

LEVERAGE RATIOS:

Total LTD/Capitalization	72.96	68.04
Total Adj LTD/Adj Capitalization	72.96	68.04
Senior LTD/Capitalization	72.96	68.04
Total Adj LTD/EBITDAR	3.91	3.87
Senior Adj LTD/EBITDAR	3.91	3.87

LIQUIDITY & ACTIVITY RATIOS:

Current Ratio	1.84	1.41
Receivables in Days	104	77
Cushion Ratio	1.01	0.84
Cash+Mkt Sec+Bd Desig Fds/Senior LTD	0.07	0.05

UTILIZATION STATS:

Licensed Beds	1,812	1,810
Staffed Beds	1,533	1,394
Admissions	60,831	63,287
Patient Days	377,055	368,784
Occupancy (Staffed Beds), %	67.20	72.50
Payor Mix:		
Medicare, %	29.30	26.19
Medicaid, %	12.95	8.37
Blue Cross, %	10.47	9.60
Managed Care, %	19.84	29.32
% of Revenues		

ALLEGHENY INTEGRATED HEALTH GROUP

Business:General Medical
 Auditors:Coopers & Lybrand
 Spread by:PNC Bank Corp.
 Units:Thousands

SIC:8062

Power 1 ID #:
 Legal Form:Other
 Stmt Type:Consolida
 Format:Healthcare
 Analyst:B Camp
 Date Printed:12/22/97

Non-Profit Summary Financials

	AUDITED	DRAFT
	JUN 30	JUN 30
	1996	1997
	12 MTHS	12 MTHS

BALANCE SHEET

ASSETS

Cash & Equivalents	93	858
Marketable Securities	387	397
Net Patient Receivables	17,455	23,999
Other Receivables	381	3,743
Inventory	34	
Prepaid Expenses	358	

TOTAL CURRENT ASSETS	18,708	28,997
----------------------	--------	--------

Net Fixed Assets	15,642	
Other Assets	22,400	1,544

TOTAL ASSETS	56,750	30,541
--------------	--------	--------

LIABILITIES

CMLTD	1,096	25
Accounts Payable/Accruals	5,774	24,974

TOTAL CURRENT LIABILITIES	6,870	24,999
---------------------------	-------	--------

Long Term Debt		88
Due to Affiliates and Related Cos.	12,806	15,549
Other Liabilities		15,000

TOTAL LIABILITIES	19,676	55,636
-------------------	--------	--------

NET ASSETS

Unrestricted Fund Balance	37,074	-25,095
---------------------------	--------	---------

NET ASSETS	37,074	-25,095
------------	--------	---------

TOTAL LIAB & NET ASSETS	56,750	30,541
-------------------------	--------	--------

PNC30923

ALLEGHENY INTEGRATED HEALTH GROUP

Business:General Medical
 Auditors:Coopers & Lybrand
 Spread by:PNC Bank Corp.
 Units:Thousands

SIC:8062

Power 1 ID #:
 Legal Form:Other
 Stmt Type:Consolida
 Format:Healthcare
 Analyst:B Camp
 Date Printed:12/22/97

Non-Profit Summary Financials

AUDITED	DRAFT
JUN 30	JUN 30
1996	1997
12 MTHS	12 MTHS

===== INCOME STATEMENT =====

Net Patient Revenues	74,097	117,589
Other Operating Revenues	2,375	9,400
TOTAL OPERATING REVENUES	76,472	126,989
General & Administrative Expenses	27,394	48,682
Salary, Wage and Benefit Expense	84,861	130,355
INCOME BEF DEPR, AMRT, INT EXP	-35,783	-52,048
Depreciation	4,615	8,319
Interest Expense	109	33
INCOME FROM OPERATIONS	-40,507	-60,400
Investment Income	-368	-1,021
INCOME BEFORE TAXES & EXTRA ITEMS	-40,875	-61,421
EXCESS OF REVENUE OVER EXPENSES	-40,875	-61,421
Change in Unrestricted Net Assets	25,911	-748
CHANGE IN NET ASSETS	-14,964	-62,169

PNC30924

ALLEGHENY INTEGRATED HEALTH GROUP

Business:General Medical
 Auditors:Coopers & Lybrand
 Spread by:PNC Bank Corp.
 Units:Thousands

SIC:8062

Power 1 ID #:
 Legal Form:Other
 Stmt Type:Consolida
 Format:Healthcare
 Analyst:B Camp
 Date Printed:12/22/97

Non-Profit PNC Cash Flow

AUDITED	DRAFT
JUN 30	JUN 30
1996	1997
12 MTHS	12 MTHS

=====NON-PROFIT PNC CASH FLOW REPORT=====

CHANGE IN NET ASSETS	-14,964	-62,169
Adjustments to Reconcile:		
Depreciation/Amortization		8,319
Other Non-Cash Items		-1,067
Net Transfers to Affiliates		88,985
Funds from Continuing Operations	-14,964	34,068
Change in Operating Accounts		-1,512
NET CASH PROVIDED BY CONTINUING OPER	-14,964	32,556
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures		-3,388
Acquisitions		-31,573
Other Investing Activities		1,542
NET CASH USED IN INVESTING		-33,419
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in Long Term Financing		-983
Change in Other Equity Accounts		2,611
NET CASH FROM FINANCING		1,628
NET INCREASE IN CASH	-14,964	765
ACTUAL CHANGE IN CASH	N/A	765
Interest Coverage	-331.66	-1,608.15
Debt Service Coverage	-331.66	-1,608.15
Fixed Charge Coverage	-331.66	-15.51

PNC30925

ALLEGHENY INTEGRATED HEALTH GROUP

Business:General Medical
 Auditors:Coopers & Lybrand
 Spread by:PNC Bank Corp.
 Units:Thousands

SIC:8062

Power 1 ID #:
 Legal Form:Other
 Stmt Type:Consolida
 Format:Healthcare
 Analyst:B Camp
 Date Printed:12/22/97

Non-Profit Acute Care Ratios

	AUDITED	DRAFT
	JUN 30	JUN 30
	1996	1997
	12 MTHS	12 MTHS
=====		
NON-PROFIT ACUTE CARE RATIOS		

GROWTH RATIOS:		
Total Oper Revenue Growth	N/A	66.06
Income from Operations Growth	N/A	-49.11
Excess Revenue Growth	N/A	-50.27
Total Assets Growth	N/A	-46.18
Total Liabilities Growth	N/A	182.76
Fund Balance Growth	N/A	-167.69

OPERATING PERFORMANCE RATIOS:		
Salary,Wage,Bnft Exp/Tot Oper Rev	110.97	102.65
Inc bef Depr, Amrt, Int	-35,783	-52,048
Inc bef Depr, Amrt, Int/Tot Oper Rev	-46.79	-40.99
Operating Margin	-52.97	-47.56
Nonoperating Income/Net Income	0.90	1.66
Excess Margin	-53.45	-48.37
EBITDA	-36,151	-53,069
EBITDA Margin	-47.27	-41.79
EBITDAR	-36,151	-53,069
EBITDAR Margin	-47.27	-41.79

COVERAGE RATIOS:		
Interest Coverage	-331.66	-1,608.15
Debt Service Coverage	-331.66	-1,608.15
Fixed Charge Coverage	-331.66	-15.51
Fixed Charge Coverage (w/o CAPEX)	-331.66	-1,608.15

LEVERAGE RATIOS:		
Total LTD/Capitalization	2.87	-0.45
Total Adj LTD/Adj Capitalization	2.87	-0.45
Senior LTD/Capitalization	2.87	-0.45
Total Adj LTD/EBITDAR	-0.03	-0.00
Senior Adj LTD/EBITDAR	-0.03	-0.00

LIQUIDITY & ACTIVITY RATIOS:		
Current Ratio	2.72	1.16
Receivables in Days	86	74
Cushion Ratio	4.40	38.03
Cash+Mkt Sec+Bd Desig Fds/Senior LTD	0.44	11.11

UTILIZATION STATS:		
Payor Mix:		
% of Revenues		

ALLEGHENY UNIVERSITY OF THE HEALTH SCIENCES

Business:General Medical
 Auditors:Coopers & Lybrand
 Spread by:PNC Bank Corp.
 Units:Thousands

SIC:8062

Power 1 ID #:
 Legal Form:Other
 Stmt Type:Consolida
 Format:Healthcare
 Analyst:B Camp
 Date Printed:12/22/97

Non-Profit Summary Financials

	AUDITED	DRAFT
	JUN 30	JUN 30
	1996	1997
	12 MTHS	12 MTHS

BALANCE SHEET

ASSETS

Cash & Equivalents	748	55
Net Patient Receivables	33,965	40,968
Other Receivables	23,563	31,787
Inventory		70
Prepaid Expenses	259	509
Asset Limited in Use/Trustee Funds	12,203	17,338
TOTAL CURRENT ASSETS	70,738	90,727

Net Fixed Assets	63,831	93,516
Assets Limited in Use/Trustee Funds	100,410	141,330
Other Assets	3,843	4,946
TOTAL ASSETS	238,822	330,519

LIABILITIES

Notes Payable	6,000	3,000
Accounts Payable/Accruals	24,226	26,595
Deferred Revenue - Current	11,536	16,372
TOTAL CURRENT LIABILITIES	41,762	45,967

Long Term Debt	36,045	36,066
Due to Affiliates and Related Cos.	40,273	91,763
Insurance Reserve	4,900	3,434
Other Liabilities	19,524	19,343
TOTAL LIABILITIES	142,504	196,573

NET ASSETS

Unrestricted Fund Balance	15,516	20,858
Temporarily Restricted Fund Balance	33,535	55,657
Permanently Restricted Fund Balance	47,267	57,431
NET ASSETS	96,318	133,946
TOTAL LIAB & NET ASSETS	238,822	330,519

ALLEGHENY UNIVERSITY OF THE HEALTH SCIENCES

Business:General Medical
 Auditors:Coopers & Lybrand
 Spread by:PNC Bank Corp.
 Units:Thousands

SIC:8062

Power 1 ID #:
 Legal Form:Other
 Stmt Type:Consolida
 Format:Healthcare
 Analyst:B Camp
 Date Printed:12/22/97

Non-Profit Summary Financials

	AUDITED	DRAFT
	JUN 30	JUN 30
	1996	1997
	12 MTHS	12 MTHS

=====		
INCOME STATEMENT		

Net Patient Revenues	131,453	163,263
Other Operating Revenues	176,071	210,179
TOTAL OPERATING REVENUES	307,524	373,442
General & Administrative Expenses	104,787	133,105
Salary, Wage and Benefit Expense	204,456	257,911
INCOME BEF DEPR, AMRT, INT EXP	-1,719	-17,574
Depreciation	6,950	7,290
Interest Expense	2,543	3,293
INCOME FROM OPERATIONS	-11,212	-28,157
Investment Income	3,437	6,130
Other Non-Operating Income	4,837	6,754
INCOME BEFORE TAXES & EXTRA ITEMS	-2,938	-15,273
Extraordinary Expense	2,908	
Accounting Change Income	1,144	
EXCESS OF REVENUE OVER EXPENSES	-4,702	-15,273
Change in Unrestricted Net Assets	-5,203	20,615
Change in Temp Restricted Net Assets		22,122
Change in Perm Restricted Net Assets		10,164
CHANGE IN NET ASSETS	-9,905	37,628

PNC30928

ALLEGHENY UNIVERSITY OF THE HEALTH SCIENCES

Business:General Medical
 Auditors:Coopers & Lybrand
 Spread by:PNC Bank Corp.
 Units:Thousands

SIC:8062

Power 1 ID #:
 Legal Form:Other
 Stmt Type:Consolida
 Format:Healthcare
 Analyst:B Camp
 Date Printed:12/22/97

Non-Profit PNC Cash Flow

AUDITED	DRAFT
JUN 30	JUN 30
1996	1997
12 MTHS	12 MTHS

=====NON-PROFIT PNC CASH FLOW REPORT=====

CHANGE IN NET ASSETS	-9,905	37,628
Adjustments to Reconcile:		
Depreciation/Amortization		7,290
Other Non-Cash Items		-33,302
Net Transfers to Affiliates		-4,624
Funds from Continuing Operations	-9,905	6,992
Change in Operating Accounts		-14,527
NET CASH PROVIDED BY CONTINUING OPER	-9,905	-7,535
=====		
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures		-16,518
Other Investing Activities		-23,257
NET CASH USED IN INVESTING		-39,775
=====		
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in Long Term Financing		-3,000
Change in Other Equity Accounts		49,617
NET CASH FROM FINANCING		46,617
=====		
NET INCREASE IN CASH	-9,905	-693
ACTUAL CHANGE IN CASH	N/A	-693
=====		
Interest Coverage	2.58	-1.42
Debt Service Coverage	2.58	-1.42
Fixed Charge Coverage	2.58	-0.24

ALLEGHENY UNIVERSITY OF THE HEALTH SCIENCES

Business:General Medical
Auditors:Coopers & Lybrand
Spread by:PNC Bank Corp.
Units:Thousands

SIC:8062

Power 1 ID #:
Legal Form:Other
Stmt Type:Consolida
Format:Healthcare
Analyst:B Camp
Date Printed:12/22/97

Non-Profit Acute Care Ratios

	AUDITED	DRAFT
	JUN 30	JUN 30
	1996	1997
	12 MTHS	12 MTHS

=====NON-PROFIT ACUTE CARE RATIOS=====

GROWTH RATIOS:

Total Oper Revenue Growth	N/A	21.44
Income from Operations Growth	N/A	-151.13
Excess Revenue Growth	N/A	-224.82
Total Assets Growth	N/A	38.40
Total Liabilities Growth	N/A	37.94
Fund Balance Growth	N/A	39.07

OPERATING PERFORMANCE RATIOS:

Salary,Wage,Bnft Exp/Tot Oper Rev	66.48	69.06
Inc bef Depr, Amrt, Int	-1,719	-17,574
Inc bef Depr, Amrt, Int/Tot Oper Rev	-0.56	-4.71
Operating Margin	-3.65	-7.54
Nonoperating Income/Net Income	-175.97	-84.36
Excess Margin	-1.53	-4.09
EBITDA	6,555	-4,690
EBITDA Margin	2.13	-1.26
EBITDAR	6,555	-4,690
EBITDAR Margin	2.13	-1.26

COVERAGE RATIOS:

Interest Coverage	2.58	-1.42
Debt Service Coverage	2.58	-1.42
Fixed Charge Coverage	2.58	-0.24
Fixed Charge Coverage (w/o CAPEX)	2.58	-1.42

LEVERAGE RATIOS:

Total LTD/Capitalization	69.91	63.36
Total Adj LTD/Adj Capitalization	69.91	63.36
Senior LTD/Capitalization	69.91	63.36
Total Adj LTD/EBITDAR	5.50	-7.69
Senior Adj LTD/EBITDAR	5.50	-7.69

LIQUIDITY & ACTIVITY RATIOS:

Current Ratio	1.69	1.97
Receivables in Days	94	92
Cushion Ratio	0.29	0.02
Cash+Mkt Sec+Bd Desig Fds/Senior LTD	0.02	0.00

UTILIZATION STATS:

Payor Mix:
% of Revenues

PNC30930

EXHIBIT 1793

legat file

246821

**AMENDMENT TO LETTER OF CREDIT,
REIMBURSEMENT AND SECURITY AGREEMENT**

THIS AMENDMENT TO LETTER OF CREDIT, REIMBURSEMENT AND SECURITY AGREEMENT is dated as of January 29, 1998 (this "Amendment"), amending that certain Letter of Credit, Reimbursement and Security Agreement dated as of January 29, 1993 (the "Original Agreement") between ALLEGHENY GENERAL HOSPITAL, a Pennsylvania nonprofit corporation (the "Corporation"), and PNC BANK, NATIONAL ASSOCIATION (formerly known as Pittsburgh National Bank), a national banking association (the "Bank").

RECITALS:

A. The Corporation previously has issued its Variable Interest Rate Demand Notes, Series of 1993, maturing July 1, 2012, at a variable taxable money market rate in the aggregate principal amount of \$30,000,000 (the "Notes") under a Financing Agreement dated January 29, 1993 (the "Financing Agreement") between the Corporation and Morgan Guaranty Trust Company of New York, as trustee of various trusts and on behalf of certain clients for whom it acts in a fiduciary capacity (including any successor in interest thereto, "Morgan").

B. In order to facilitate the issuance and sale of the Notes and to enhance the marketability of the Notes and thereby achieve interest costs savings and other savings, the Bank issued its irrevocable Letter of Credit (the "Original Letter of Credit") to PNC Bank, National Association (formerly Pittsburgh National Bank), as Paying Agent (the "Paying Agent") for the account of the Corporation pursuant to the Original Agreement. The Original Letter of Credit authorized the Paying Agent to make one or more draws on the Bank up to an aggregate of \$30,450,000 (as reduced and reinstated from time to time in accordance with the provisions of the Original Agreement and the Original Letter of Credit) (the "Stated Amount"), of which (i) \$30,000,000 (the "Principal Component") was in respect of principal of the Notes and (ii) \$450,000 (the "Interest Component") was in respect of interest accrued on the Notes. The Original Letter of Credit was issued to provide funds for the payment of the principal and purchase price of and interest on the Notes in accordance with the provisions of the Financing Agreement.

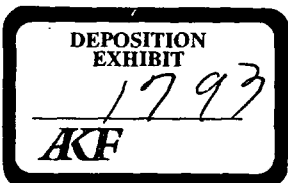
C. As of the date hereof, as a result of reductions in the Stated Amount reflecting repayment of a portion of the Notes, an aggregate of \$25,674,301.37 is available under the Original Letter of Credit, of which (i) \$25,300,000.00 represents the Principal Component and (ii) \$374,301.37 represents the Interest Component.

D. The Bank and the Corporation wish to enter this Agreement in order to extend the time of expiration of the Original Letter of Credit until 5:00 p.m. on January 29, 1999 and to amend certain provisions of the Original Agreement as provided in this Amendment.

NOW, THEREFORE, in consideration of the mutual promises of the parties as set forth herein, and intending to be legally bound, the parties hereby agree as follows:

PNC38971

AH- 4974



246821

1. Amendment to Section 2.02(b) of Original Agreement. Section 2.02(b) of the Original Agreement is hereby amended by adding the following sentence at the end thereof:

Notwithstanding the preceding sentence, beginning January 29, 1998 and continuing thereafter so long as any credit remains available to the Paying Agent under the Letter of Credit and on the date of termination of the Letter of Credit, the Letter of Credit commitment fee payable by the Corporation to the Bank shall be computed at the rate of fifty-five one hundredths percent (.55%) per annum on the average daily Stated Amount during the preceding quarterly period (or portion thereof in the case of the period from the date hereof to the end of the current quarter and in the case of the termination of the Letter of Credit on a day other than a January 1, April 1, July 1 or October 1); provided, however, that (i) in the event that Moody's Investors Service, Inc. ("Moody's") reduces its rating on the Corporation's long-term unsecured debt obligations to "A3", the Letter of Credit commitment fee shall be computed at the rate of sixty-five one hundredths percent (.65%) per annum, and (ii) in the event Moody's reduces its rating on the Corporation's long-term unsecured debt obligations below "A3," the Letter of Credit commitment fee shall be computed at the rate of seventy-five one hundredths percent (.75%) per annum.

2. Addition of Section 2.2(g) of Original Agreement. Section 2.02 of the Original Agreement is hereby amended by adding the following new Section 2.02(g):

(g) The Corporation agrees to pay, on or before the date of each renewal or extension of the Letter of Credit, commencing January 29, 1998, a renewal fee equal to five one-hundredths percent (.05%) of the Stated Amount as of the effective date of such renewal or extension.

3. Representations and Warranties. The Corporation hereby affirms that, except as set forth on Schedule I attached hereto and made a part hereof, each of the representations and warranties of the Corporation in Article V of the Original Agreement is true and correct in all material respects on the date hereof as if made on the date hereof (except that references in Section 5.11 of the Original Agreement to the fiscal year ended June 30, 1992 shall be deemed, for purposes of this Section 3, to refer instead to the fiscal year ended June 30, 1997).

4. Continuing Effect.

All other terms and provisions of the Original Agreement shall remain in full force and effect and are hereby confirmed by the Corporation and the Bank.

5. Governing Law.

This Amendment shall be governed by, and construed and enforced in accordance with, the laws of the Commonwealth of Pennsylvania.

[SIGNATURE PAGE FOLLOWS]

PNC38972

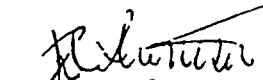
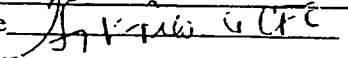
246821

IN WITNESS WHEREOF, this Amendment to Letter of Credit, Reimbursement and Security Agreement has been executed and delivered as of the date first written above.

ALLEGHENY GENERAL HOSPITAL

By

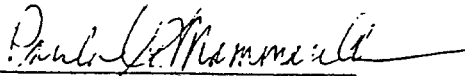
Title

PNC BANK, NATIONAL ASSOCIATION

By

Title


ASST. VICE. PRESIDENT

PNC38973

246821

Schedule I

to

- Amendment to Letter of Credit, Reimbursement and Security Agreement
dated January 29, 1998
between PNC Bank, National Association and Allegheny General Hospital

None.

PNC38974

AH- 4977

EXHIBIT 1819

Krepp
Jauscher
Dickson

July 7, 1998

Members of the Board
of Trustees of AHERF

Based upon your expressed need for system-wide financing on an urgent basis, we enclose a Proposed Term Sheet. Subject to the conditions of the term sheet, we would be prepared to lend a maximum of up to \$160 million, of which not more than \$50,000,000 will be available through August 15, 1998.

The loan would be made jointly and severally to AHERF, Allegheny General Hospital, Forbes Health System, Canonsburg General Hospital and Allegheny Valley Hospital (the "Borrowers"). The loan would be fully secured as set forth in the proposed Term Sheet by all assets of the Borrowers. To the extent that any proceeds of the loan are advanced by the Borrowers to their affiliates (as we understand will likely be the case), those intercompany advances will be evidenced by promissory notes secured by all assets of the affiliated borrower and such secured notes will be pledged and endorsed to us to further secure the loan.

We have heard that the AHERF Board has recently expressed strong reservations with respect to making the credit of the West available to support the East. The Board's current position is inconsistent with its actions in the past and is particularly unfortunate in view of the system-wide need for financing. Until now, the Board has had no reservation about attempting to adjust intercompany obligations or about using very substantial sums over an extended period of time for loans, advances and repayments within the AHERF system, as documented by the books and records of the various members of the AHERF system.

Moreover, at a time when the AHERF system had already manifested serious financial problems the Board nevertheless allowed the withdrawal from the AHERF system in April, 1998 of almost \$90 million to repay, and thereby prefer as to all other creditors, Mellon Bank, an action which drained the AHERF system of desperately needed liquidity at a critical juncture.

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PNC30209

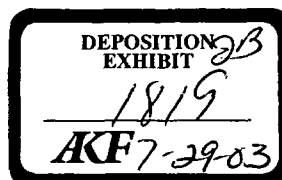


EXHIBIT 1865

EXHIBIT

1865

8-5-03

OFFICIAL STATEMENT

MBIA/Kentel

\$60,000,000

9040

Pennsylvania Higher Educational Facilities Authority
(Commonwealth of Pennsylvania)**Revenue Bonds**
(Allegheny General Hospital)
1991 Series A

FI

Dated: January 1, 1991

Due: September 1, as shown below

The Bonds will be issued by the Pennsylvania Higher Educational Facilities Authority (the "Authority") under and secured by a Trust Indenture (the "Bond Indenture") dated as of January 1, 1991 between the Authority and Pittsburgh National Bank, as trustee (the "Bond Trustee"). The Bonds are payable from the revenues of the Authority derived pursuant to a Loan Agreement between the Authority and Allegheny General Hospital ("AGH") and certain funds established under the Bond Indenture. In addition, the Bonds will be payable from amounts paid to the Bond Trustee by AGH under the Series 1991 Note described herein and issued by AGH pursuant to the Master Trust Indenture (the "Master Indenture") between AGH and Pittsburgh National Bank, which Series 1991 Note is secured by a pledge and assignment under the Master Indenture of the Gross Revenues of AGH and of the Restricted Affiliates described herein. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS" herein.

The Bonds will be issued as registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as Bondholder and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interests in the Bonds. So long as DTC or its nominee Cede & Co. is the registered owner of the Bonds, payments of the principal of, redemption premium, if any, and interest on the Bonds (payable semiannually on March 1 and September 1 of each year, commencing September 1, 1991) will be made by the Bond Trustee directly to Cede & Co. Disbursement of such payments to the DTC Participants will be the responsibility of DTC. Disbursement of such amounts to the owner of beneficial interests in the Bonds is the responsibility of the DTC Participants and Indirect Participants as described herein. See "THE BONDS—Book-Entry Only System" herein.

THE BONDS ARE SUBJECT TO REDEMPTION PRIOR TO MATURITY AS DESCRIBED HEREIN.

The Bonds will be limited obligations of the Authority and not a debt or liability of the Commonwealth of Pennsylvania or any political subdivision, agency or instrumentality thereof other than the Authority. Neither the general credit of the Authority nor the credit or the taxing power of the Commonwealth of Pennsylvania or any political subdivision, agency or instrumentality thereof is pledged for the payment of the principal of, redemption premium, if any, or interest on the Bonds. The Authority has no taxing power.

Scheduled payment of the principal of and interest on the Term Bonds Due 2011 and the Term Bonds Due 2014 (but no other Bonds) when due will be guaranteed by a municipal bond insurance policy to be issued simultaneously with the delivery of the Bonds by Municipal Bond Investors Assurance Corporation.

For a description of the Hospital and the Restricted Group, including certain recent developments occurring after the date of this Official Statement, see Appendix A — "Allegheny General Hospital and the Restricted Group."

MATURITY SCHEDULE
\$10,655,000 Serial Bonds

Year	Amount	Interest Rate	Price or Yield	Year	Amount	Interest Rate	Yield
1992	\$ 930,000	5.70%	100%	1997	\$1,235,000	6.30%	6.40%
1993	980,000	5.80	100	1998	1,315,000	6.40	6.50
1994	1,040,000	5.90	6.00	1999	1,400,000	6.50	6.60
1995	1,100,000	6.00	6.15	2000	1,490,000	6.60	6.70
1996	1,165,000	6.15	6.25				

\$13,790,000 7.125% Term Bonds due September 1, 2007, Price 98.750%

✓ \$11,415,000 7.000% Term Bonds due September 1, 2011, Yield 7.20% (MBIA Insured) ✓

✓ \$10,835,000 7.000% Term Bonds due September 1, 2014, Yield 7.22% (MBIA Insured) ✓

\$13,305,000 7.250% Term Bonds due September 1, 2017, Yield 7.40%

Accrued interest to be added

In the opinion of Bond Counsel, under existing law as presently enacted and construed, interest on the Bonds is excludable from gross income for purposes of federal income taxation. Interest on the Bonds will not be an item of tax preference for determining either individual or corporate alternative minimum tax, but interest on the Bonds held by certain corporate bondholders may be indirectly subject to alternative minimum tax and an environmental tax because interest on the Bonds may be included in the earnings and profits of such corporate bondholders. In the opinion of Bond Counsel, under the laws of the Commonwealth of Pennsylvania, as presently enacted and construed, the Bonds are exempt from personal property taxes in Pennsylvania, and the interest on the Bonds and any gain from the sale thereof are exempt from Pennsylvania personal income tax and corporate net income tax. See "Tax Exemption" herein.

The Bonds are offered when, as and if issued by the Authority and accepted by the Underwriters, subject to the approval of legality by Ballard, Spahr, Andrews & Ingersoll, Bond Counsel, Philadelphia, Pennsylvania and certain other conditions. Certain legal matters will be passed upon for Allegheny General Hospital and the Restricted Group by its special counsel, Foley & Lardner, Chicago, Illinois and by Nancy A. Wynstra, Esquire, Executive Vice President and General Counsel of Allegheny Health Services, Inc.; for the Authority by its counsel, Klett Lieber Rooney & Schorling, Pittsburgh and Harrisburg, Pennsylvania; and for the Underwriters by their counsel, Drinker Biddle & Reath, Philadelphia, Pennsylvania. It is expected that the Bonds in definitive form will be available for delivery in New York, New York on or about January 14, 1991.

The First Boston Corporation**PNC Securities Corp**
A PNC COMPANY

The date of this Official Statement is January 9, 1991

MBIA

010762

PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY
(Commonwealth of Pennsylvania)
P.O. Box 3161
Harrisburg, Pennsylvania 17105

Honorable Robert P. Casey Governor of the Commonwealth of Pennsylvania	President
Honorable Joseph W. Battisto Designated by the Speaker of the House of Representatives	Vice President
Honorable Chaka Fattah Designated by the Minority Leader of the Senate	Vice President
Honorable Catherine Baker Knoll State Treasurer	Treasurer
Honorable David L. Jannetta Secretary of General Services	Secretary
Honorable Robert C. Jubilirer President Pro Tempore of the Senate	Board Member
Honorable William F. Adolph, Jr. Designated by the Minority Leader of the House of Representatives	Board Member
Honorable Barbara Hafer Auditor General	Board Member
Honorable Donald M. Carroll, Jr. Secretary of Education	Board Member

EXECUTIVE DIRECTOR
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COUNSEL TO THE RESTRICTED GROUP
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Executive Vice President and General Counsel
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Pittsburgh, Pennsylvania

Foley & Lardner
Chicago, Illinois

TRUSTEE
Pittsburgh National Bank
Pittsburgh, Pennsylvania

UNDERWRITERS
The First Boston Corporation
New York, New York

PNC Securities Corp
Pittsburgh, Pennsylvania

UNDERWRITERS' COUNSEL
Drinker Biddle & Reath
Philadelphia, Pennsylvania

OFFICIAL STATEMENT

\$60,000,000

Pennsylvania Higher Educational Facilities Authority
(Commonwealth of Pennsylvania)
Revenue Bonds (Allegheny General Hospital)
1991 Series A

INTRODUCTORY STATEMENT

This Official Statement, including the cover page and appendices, is furnished in connection with the offering of \$60,000,000 aggregate principal amount of Revenue Bonds (Allegheny General Hospital), 1991 Series A (the "Bonds") of the Pennsylvania Higher Educational Facilities Authority (the "Authority"). For the definitions of certain capitalized terms used but not otherwise defined herein, reference should be made to Appendix C - "DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF CERTAIN PROVISIONS OF THE BOND INDENTURE AND THE LOAN AGREEMENT" or, if not defined therein, to Appendix D - "SUMMARY OF THE MASTER TRUST INDENTURE AND CERTAIN PROPOSED AMENDMENTS TO THE MASTER TRUST INDENTURE."

The Bonds will be issued pursuant to a Trust Indenture dated as of January 1, 1991 (the "Bond Indenture"), between the Authority and Pittsburgh National Bank, as trustee (the "Bond Trustee"), and will be payable solely from amounts paid by Allegheny General Hospital ("AGH"), a Pennsylvania nonprofit corporation, under a Loan Agreement dated as of January 1, 1991 (the "Loan Agreement") between the Authority and AGH and amounts held from time to time by the Bond Trustee in the funds and accounts established under the Bond Indenture. In addition, the Bonds are payable from amounts paid to the Bond Trustee, as assignee of the Authority, by AGH under a certain promissory note dated as of January 1, 1991 (the "Series 1991 Note"), issued under and pursuant to a Master Trust Indenture dated as of December 1, 1983 between AGH and Pittsburgh National Bank, as trustee (the "Master Trustee") as heretofore amended and supplemented and as further supplemented by a Fifth Supplemental Master Trust Indenture (the "Fifth Supplemental Master Indenture") dated as of January 1, 1991 (collectively, the "Master Indenture"). The Bonds are being issued for the purpose of providing funds to undertake a project (the "Project") consisting of the construction, acquisition and renovation of certain facilities of AGH, including the acquisition of certain equipment, and to pay certain costs of issuance of the Bonds. In connection with the issuance of the Bonds, the Authority will loan the proceeds thereof to AGH pursuant to the Loan Agreement for the purpose of undertaking the Project. Under the Loan Agreement, AGH will be obligated to make payments to the Bond Trustee, as

assignee of the Authority, in amounts and at times sufficient to pay the principal of and interest on the Bonds and certain other costs and expenses. In addition, AGH will issue and deliver the Series 1991 Note to the Authority, which will assign the Series 1991 Note to the Bond Trustee for the equal and ratable benefit of the owners of the Bonds. Amounts paid to the Bond Trustee under the Series 1991 Note by AGH will be credited against amounts payable under the Loan Agreement.

Pursuant to separate but substantially similar Contribution Agreements dated as of December 1, 1983 and July 1, 1988, respectively, (the "Contribution Agreements"), Allegheny Singer Research Institute ("ASRI") and Allegheny Neuropsychiatric Institute ("ANI"), each a Pennsylvania nonprofit corporation, have agreed to provide funds to AGH, to the extent permitted by law, to enable AGH to make payments due under all Notes and Guaranties issued under the Master Indenture, including certain prior Notes and the Series 1991 Note and to be bound by the various covenants and agreements set forth in the Master Indenture. ASRI and ANI are each referred to herein, individually, as a "Restricted Affiliate" and, collectively, together with any entities which may become Restricted Affiliates in the future under the Master Indenture, as the "Restricted Affiliates." AGH and the Restricted Affiliates are referred to herein, collectively, as the "Restricted Group."

Certain prior Notes have been issued under the Master Indenture to evidence additional long-term indebtedness of AGH, which Notes are secured equally and ratably with the Series 1991 Note under the Master Indenture by a pledge and assignment of the Gross Revenues and other property of AGH and, pursuant to an assignment by AGH to the Master Trustee of its rights under the Contribution Agreements, of each Restricted Affiliate, subject in each case to Permitted Encumbrances (as defined in the Master Indenture) and to certain proposed amendments and other limitations herein described. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS."

AGH, ASRI and ANI are controlled affiliates of Allegheny Health Services, Inc. ("AHS"), a Pennsylvania nonprofit corporation. For a more detailed description of the facilities owned and operated, and the services provided, by the Restricted Group and AHS, as well as certain recent developments occurring subsequent to the date of this Official Statement, see Appendix A - "ALLEGHENY GENERAL HOSPITAL AND THE RESTRICTED GROUP." Neither AHS nor any of its controlled affiliates or subsidiaries, other than AGH, ASRI and ANI, have any payment or other obligations under the Master Indenture or on any Notes or Guaranties issued thereunder, including the Series 1991 Note. Only AGH is obligated under the Loan Agreement. See "THE RESTRICTED GROUP" below and in Appendix A hereto for a further description of the corporate structure

under which the Restricted Group exists and operates.

AGH and the Master Trustee have entered into a Second Supplemental Master Trust Indenture dated as of February 1, 1988 (the "Second Supplemental Master Indenture") providing for substantial amendments to the Master Indenture, certain of which require the consent of the holders of 60% in aggregate principal amount of Notes and Guaranties outstanding under the Master Indenture, and others of which require the consent of the holders of 100% in aggregate principal amount of such Notes and Guaranties. Such amendments, if and when effective, will affect the security of the holders of any Notes of AGH then outstanding under the Master Indenture, including the Series 1991 Note, and such changes will accordingly affect the security of the Bonds. The holders of the Series 1988 Notes (herein described) and the holders of the 1988 Bonds have consented to such amendments. The Owners of the Bonds, by their purchase thereof, will be deemed to have consented to such amendments and will be bound by such amendments when they become effective. Upon the issuance of the Bonds and the Series 1991 Note, the holders of more than 60% in aggregate principal amount of Notes and Guaranties will have consented to such amendments. AGH may then determine to implement those amendments which do not require the consent of the holders of all the outstanding Notes and Guaranties. All of the amendments shall become effective upon the earlier to occur of the consent of the holders of the Series 1983 Note (herein described) issued under the Master Indenture and the 1983 Bonds (herein described) or the payment in full of the Series 1983 Note and of the 1983 Bonds. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS" and Appendix D - "SUMMARY OF THE MASTER TRUST INDENTURE AND CERTAIN PROPOSED AMENDMENTS TO THE MASTER TRUST INDENTURE: Summary of Certain Proposed Amendments to the Master Trust Indenture."

The Authority is a body corporate and politic and a public instrumentality of the Commonwealth of Pennsylvania created pursuant to the Pennsylvania Higher Educational Facilities Authority Act of 1967 (Act No. 318 of the General Assembly of the Commonwealth of Pennsylvania, approved December 6, 1967), as amended (the "Act"). The Bonds are limited obligations of the Authority payable only out of the revenues derived by the Authority from the Loan Agreement and the Series 1991 Note and do not constitute obligations of the Commonwealth of Pennsylvania or any political subdivision thereof.

Summaries of certain provisions of the Bonds, the Bond Indenture and the Loan Agreement are contained in Appendix C - "DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF CERTAIN PROVISIONS OF THE BOND INDENTURE AND THE LOAN

AGREEMENT." Summaries of certain provisions of the Master Indenture, including the proposed amendments thereto, are set forth in Appendix D - "SUMMARY OF THE MASTER TRUST INDENTURE AND CERTAIN PROPOSED AMENDMENTS TO THE MASTER TRUST INDENTURE: Summary of Certain Proposed Amendments to the Master Trust Indenture." The descriptions and summaries of such documents set forth in this Official Statement do not purport to be comprehensive or definitive and reference should be made to each such document for complete details of all terms and conditions, copies of which are on file at the principal office of the Bond Trustee in Pittsburgh, Pennsylvania. All statements herein are qualified in their entirety by the terms of each such document, and by reference to laws and principles of law and equity relating to or affecting generally the enforcement of creditors' rights.

THE BONDS

General Description

The Bonds will be issued as registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. The Bonds will bear interest at the rates and mature, subject to the redemption provisions described below, in the amounts and on the dates set forth on the cover page hereof. Interest on the Bonds is payable on March 1 and September 1 of each year (each an "Interest Payment Date"), commencing September 1, 1991, until maturity or redemption prior to maturity.

The principal or redemption price of the Bonds is payable upon presentation and surrender thereof at the principal corporate trust office of the Bond Trustee as the same shall become due and payable. Interest will be paid by check or draft mailed to the persons appearing as registered owners on the registration books kept by the Bond Trustee on the "regular record date," which shall be the fifteenth day of the month next preceding each Interest Payment Date; provided, however, that if funds on any Interest Payment Date are insufficient to pay the interest then due, such defaulted interest will cease to be payable to the registered owner as of the regular record date but will instead be payable on a special interest payment date established by the Bond Trustee for payment of such defaulted interest when sufficient funds are available to the registered owner as of a "special record date" of such defaulted interest established by the Bond Trustee in accordance with the provisions of the Bond Indenture. Upon written request to the Bond Trustee, owners of \$1,000,000 or more in aggregate principal amount of Bonds may elect to receive payments of interest by wire transfer to a designated account.

So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Bond Trustee directly to Cede & Co. Disbursements of such payments to the DTC Participants (as hereinafter defined) is the responsibility of DTC. Disbursement of such payments to the owners of beneficial interests in the Bonds is the responsibility of the DTC Participants and the Indirect Participants (as hereinafter defined) as more fully described under "Book-Entry-Only System" below.

Book-Entry-Only System

The information set forth herein concerning DTC and the book-entry-only system described below has been provided by DTC and is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by AGH or the Authority.

DTC will act as securities depository for the Bonds. The ownership of one fully registered Bond for each maturity as set forth on the cover page hereof, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its participants (the "DTC Participants") and to facilitate the clearance and settlement of securities transactions among DTC Participants in such securities through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need of physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (the "Indirect Participants").

Purchases of Bonds under the book-entry system may be made only through DTC Participants or Indirect Participants. The DTC Participants shall receive a credit balance in the records of DTC. The ownership interest of the purchaser of each Bond (the "Beneficial Owner") will be recorded through the records of the DTC Participant. Beneficial Owners are expected to receive a written confirmation of their purchase providing details of the Bond acquired. Transfers of owner-

ship interests in the Bonds will be accomplished by book entries made by DTC and, in turn, by the DTC Participants who act on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except as specifically provided in the Bond Indenture.

The Authority and the Bond Trustee will recognize DTC or its nominee as the registered owner of the Bonds for all purposes, including for purposes of receiving all notices under the Bond Indenture and for purposes of and voting as required or permitted under the Bond Indenture. Conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants, and by DTC Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondowners or registered owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

Principal and interest payments on the Bonds will be made to DTC or its nominee, Cede & Co., as registered owner of the Bonds. Upon receipt of moneys, DTC's current practice is to immediately credit the accounts of the DTC Participants in accordance with their respective holdings shown on the records of DTC. Payments by DTC Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC Participant or Indirect Participant and not of DTC, the Bond Trustee or the Authority, subject to any statutory and regulatory requirements as may be in effect from time to time.

THE AUTHORITY, AGH AND THE BOND TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT THE DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE BONDS, (2) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN BONDS, OR (3) NOTICES OF REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DTC PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS MAY BE OBTAINED FROM DTC.

NEITHER THE AUTHORITY, AGH NOR THE BOND TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

The book-entry system for registration of the ownership of the Bonds may be discontinued at any time if either: (i) DTC determines to resign as securities depository for the Bonds; or (ii) AGH determines (and notifies the Authority of its determination) that continuation of the system of book-entry transfers through DTC (or through a successor securities depository) is not in the best interests of AGH, or the Authority determines that such continuation is not in the best interest of the Beneficial Owners. In either event (unless the Authority appoints a successor securities depository), the Bonds shall then be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Authority, AGH or the Bond Trustee for the accuracy of such designation. Whenever DTC requests the Authority or the Bond Trustee to do so, the Authority or the Bond Trustee shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Bonds.

Transfer

A Bond may be transferred only upon presentation thereof to the Bond Trustee. Such Bond must be accompanied by an endorsement duly executed by the registered owner or a duly appointed attorney. No charge will be imposed in connection with any transfer or exchange, except for taxes or governmental charges in connection with the registration, transfer or exchange of such Bond. The Bond Trustee is not required to transfer or exchange any Bond for a period of 15 days immediately preceding the date of mailing of any notice of redemption or at any time following the mailing of any such notice if the Bonds or any portion of a Bond to be transferred or exchanged has been called for redemption.

Redemption

Mandatory Sinking Fund Redemption. The Bonds maturing on September 1, 2007, September 1, 2011, September 1, 2014 and September 1, 2017 (the "Term Bonds") are subject to mandatory sinking fund redemption by the Authority, prior to maturity, in direct order of maturity and within each maturity by lot on September 1 of the years and in the amounts set forth in the table below, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date:

Bonds Due September 1, 2007:

<u>Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>
2001	\$1,590,000 ✓	2005	\$2,090,000
2002	1,700,000	2006	2,240,000
2003	1,820,000	2007 (maturity)	2,400,000
2004	1,950,000		

Bonds Due September 1, 2011:

<u>Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>
2008	\$2,570,000	2010	\$2,945,000
2009	2,750,000	2011 (maturity)	3,150,000

Bonds Due September 1, 2014:

<u>Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>
2012	\$3,370,000	2014 (maturity)	\$3,860,000
2013	3,605,000		

Bonds Due September 1, 2017:

<u>Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>
2015	\$4,130,000	2017 (maturity)	\$4,750,000
2016	4,425,000		

The principal amount of Term Bonds otherwise required to be redeemed may be reduced by the principal amount of Term Bonds theretofore delivered to the Bond Trustee by AGH in lieu of cash payments under the Loan Agreement or purchased by the Bond Trustee out of moneys in the Debt Service Fund established under the Bond Indenture and which have not

theretofore been applied as a credit against any sinking fund installment.

Optional Redemption. The Bonds are subject to optional redemption by the Authority, prior to maturity, at the direction of AGH, on or after September 1, 2001 out of moneys deposited with or held by the Bond Trustee for such purpose, as a whole at any time, or in part on any Interest Payment Date, in any order of maturity designated by AGH, or, in the absence of such designation, in inverse order of maturity, and by lot within a maturity, upon payment of redemption prices set forth in the following table:

<u>Redemption Dates</u>	<u>Redemption Prices (expressed as percentages of principal amount)</u>
September 1, 2001 through August 31, 2002	102% ✓
September 1, 2002 through August 31, 2003	101%
September 1, 2003 and thereafter	100%

Extraordinary Redemption. The Bonds are subject to extraordinary redemption prior to maturity by the Authority, at the direction of AGH, out of insurance proceeds, condemnation awards and the proceeds of conveyances in lieu of condemnation deposited with or held by the Bond Trustee for such purpose, in whole or in part at any time, in any order of maturity designated by AGH, or, in the absence of such designation, in inverse order of maturity, and by lot within a maturity, upon payment of a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption.

Notice of Redemption. Not more than sixty (60) nor less than thirty (30) days before the redemption date of any Bonds, the Bond Trustee will send notice by first class mail to all registered owners of Bonds to be redeemed as a whole or in part. Such redemption notice will set forth the details with respect to the redemption in accordance with the provisions of the Bond Indenture. Failure to give such notice by mail to any holder of Bonds, or any defect therein, will not affect the validity of any proceedings for the redemption of any other Bonds. If at the time of mailing of any notice of redemption, the Authority shall not have deposited with the Bond Trustee moneys sufficient to redeem all the Bonds called for redemption, such notice may state that it is subject to the deposit of sufficient moneys with the Bond Trustee not later than the opening of business on the redemption date and shall be of no effect unless such moneys are so deposited.

So long as DTC or its nominee is the registered owner of the Bonds, any failure on the part of DTC or failure on the part of a nominee of a beneficial owner (having received notice from a DTC Participant or otherwise) to notify the beneficial owner affected by any redemption of such redemption shall not affect the validity of the redemption. So long as DTC or its nominee is the registered owner of the Bonds, if less than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot by DTC, the DTC Participants and Indirect Participants in such manner as they may determine. If a Bond is of a denomination in excess of \$5,000, portions of the principal amount in the amount of \$5,000 or any multiple thereof may be redeemed.

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

The Bonds are limited obligations of the Authority payable solely from and equally and ratably secured under the Bond Indenture by a pledge and assignment by the Authority of payments due from AGH under the Loan Agreement, and the moneys and investments held by the Bond Trustee in the funds and accounts established under the Bond Indenture. In addition, the Bonds are payable from amounts paid by AGH to the Bond Trustee, as the assignee of the Authority, under the Series 1991 Note. The covenants and agreements in the Bond Indenture will be for the equal and ratable benefit of the present and future holders of the Bonds and any Additional Bonds which may from time to time be issued by the Authority in the future in accordance with the provisions of the Bond Indenture.

The Loan Agreement and the Series 1991 Note are general obligations of AGH. Payments under the Loan Agreement and the Series 1991 Note are fixed as to time and amount so as to enable the Authority to make timely payment of the principal of, redemption premium, if any, and the interest on the Bonds. Payments made by AGH under the Series 1991 Note will be deemed to satisfy the obligation of AGH to make payments under the Loan Agreement. As security for its obligation to make payments under the Series 1991 Note, and all other Notes and Guaranties issued by AGH under the Master Indenture (including the Series 1983 Note and the Series 1988 Notes described below), AGH has granted to the Master Trustee, for the benefit of the holders of all such Notes and Guaranties (including the Bond Trustee as the holder of the Series 1991 Note), a lien on and security interest in its Gross Revenues, as well as its accounts receivable, contract rights, general intangibles, securities, investments and insurance policies, (subject to Permitted Liens and to certain proposed amendments to the Master Indenture and other

limitations described below), and has assigned to the Master Trustee its rights in the Contribution Agreements of the Restricted Affiliates, including its security interest in the Gross Revenues and other property of the Restricted Affiliates as further described below.

The security interests in the Gross Revenues and other property of AGH and the Restricted Affiliates described above may be limited by a number of factors, including, but not limited to: (i) statutory liens; (ii) rights arising in favor of the United States of America or an agency thereof; (iii) present or future prohibitions against the assignment of amounts due under the Medicare or Medicaid programs contained in statutes or regulations of the United States or the Commonwealth of Pennsylvania; (iv) constructive trusts, equitable liens or other rights conferred or impressed by any state or federal court in the exercise of its equitable jurisdiction; (v) federal or state laws respecting bankruptcy, insolvency and creditors' rights generally; (vi) rights of third parties in Gross Revenues converted to cash and not in the possession of the Master Trustee; and (vii) claims that might arise if appropriate financing or continuation statements are not filed in accordance with the Uniform Commercial Code of the Commonwealth of Pennsylvania as from time to time in effect. Upon the effectiveness of the proposed amendments to the Master Indenture, certain items currently subject to the security interest in favor of the Master Trustee will no longer be pledged as security for the Notes and Guaranties under the Master Indenture. Instead, the property of AGH and the Restricted Affiliates pledged as security under the Master Indenture will be limited to the "Unrestricted Receivables" of each (generally including all accounts, assignable general intangibles, contract rights and all proceeds thereof). See Appendix D - "SUMMARY OF THE MASTER TRUST INDENTURE AND CERTAIN PROPOSED AMENDMENTS TO THE MASTER TRUST INDENTURE: Summary of Certain Proposed Amendments to the Master Trust Indenture."

Pursuant to the Master Indenture, AGH and each Restricted Affiliate are subject to certain operational and financial covenants and restrictions as set forth therein. These include primarily covenants and restrictions with respect to debt service coverage, the incurrence, directly or by guaranteeing the obligations of others, of additional indebtedness, the ability of any member of the Restricted Group to transfer any of its assets, including both physical and liquid assets, the ability of other entities to become Restricted Affiliates through merger or otherwise, and the ability of any Restricted Affiliate to cease being a Restricted Affiliate. AGH has further agreed to cause each Restricted Affiliate (including ASRI and ANI) to similarly comply with such covenants and restrictions. Pursuant to the